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note (2) below



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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

11 April 1990

Thank you for your letter of 9 April with which you enclosed a brief on BEI's current negotiations to establish a UK presence within the Turkish electrical energy sector. It was most kind of you to send this.

C. D. POWELL

David Mayers, Esq.

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BEI

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① CR

Please act. & thank

② CF

Please p/w Gallipoli
paper.

ON

AF

Charles Powell Esq.,
Private Secretary to the Prime Minister,
The Cabinet Office,
10 Downing St.
LONDON

9th April 1990

Dear Mr Powell,

RE: Prime Minister's Visit to Gallipoli.

I refer to our telephone conversation some weeks ago. As suggested, I enclose a brief on BEI's current negotiations to establish a long term UK presence within the Turkish electrical energy sector.

If the opportunity should present itself during discussion with President Ozal, I feel sure that it would be most helpful if the Prime Minister could signify her awareness and interest.

Additionally, you may wish to consider whether it is worth informing the Prime Minister that the Undersecretary of the Turkish Ministry of Energy and Natural Resources recently paid a low key visit to the UK to brief himself at first hand on the way this country is approaching privatisation of electricity. I am unable to say if President Ozal is aware or will have had any feedback on this matter.

Please do not hesitate to contact me if you require any further information. My direct telephone numbers are 01 634 6965 and 01 489 9370.

Yours sincerely

David Mayers

David Mayers
Project Director.

British Electricity International Ltd (BEI).

Briefing Note for the Prime Minister, the Rt Hon Margaret Thatcher MP.

UK Participation in Privatisation of Turkish Electricity.

For some 15 years, British Electricity International Ltd has been trading successfully around the world as the overseas consultancy arm of the Electricity Supply Industry. Following vesting of the UK's private utility companies, BEI has become a subsidiary of National Power.

Over the past two years, BEI has been negotiating with the Turkish Authorities to obtain a 30 year concession to distribute electricity in one province, namely Samsun on the Black Sea Coast in the first instance, and later to extend its activities to a total of nine Black Sea provinces and broaden the activities to include power generation and transmission.

The concession agreement, which it is believed was signed by the Minister of Energy and Natural Resources in January 1990, has now gone to members of the Council of Ministers for their approval. A decree granting the concession is likely to follow shortly.

In the meantime, in a departure from its traditional business, BEI has established a Turkish joint stock company, Karadeniz Elektrik Anonim Sirketi (KEAS), the Black Sea Power Corporation, in which it intends to retain a controlling interest. KEAS will sign the concession agreement with the Turkish Government.

The intention is that KEAS will take over operational rights for existing electricity distribution facilities in Samsun Province from the Turkish Electricity Authority (TEK) and improve and extend the facilities on a commercial basis, with particular regard for electrical utility standards within the EEC.

It is envisaged that once successfully established KEAS will also undertake other projects and consultancy throughout Turkey, both on its own account and in partnership with others.

Thus, whilst the initial involvement in Samsun Province will be relatively modest, KEAS hopes to build up a diverse portfolio of projects in Turkey, which through their proven individual profitability, will rapidly give KEAS a track record in the eyes of international lending institutions and enable it to sponsor investment considerably greater than the sum of the profits on the initial projects.

BEI hopes that the development of KEAS along the above lines will progressively be recognised and supported by the Turkish Government as a helpful adjunct to President Ozal's imaginative BOT (Build, Operate, Transfer) model, and by the people of the Black Sea coast as an important development in one of the less publicised parts of Turkey.

A successful and profitable start by a UK-linked electrical utility company in Turkey is expected to encourage other UK companies to undertake major investment in Turkey. Several large UK companies are already following the KEAS project with interest.

Whilst similar concessions are being discussed by the Turkish Government with local companies, this is the first electricity concession involving an international company and international loans. BEI, through KEAS, is therefore blazing a trail for others to follow.

BEI is somewhat concerned that it is taking so long to establish the concession, particularly since, after signature of the concession agreement, several other key agreements, together with loans on favourable terms, will need to be negotiated before the new company can start trading. It is therefore hoped that progress will speed up once the concession agreement has been signed.

If the topic arises in conversation with President Ozal, the Prime Minister may wish to welcome and support the BEI/KEAS initiative and express the hope that it will shortly start to bear fruit for both countries.

9th April 1990.